

City of Detroit

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TO: Katherine Beebe, President and CEO
Eastern Market Corporation

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 10, 2007

RE: 2007-2008 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2007-2008 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pam Scales, Budget Department Director
Roger Short, Chief Financial Officer
Renee Short, Budget Department Team Leader
Tanya Stoudemire, Budget Department Team Leader
Loren Jackson, Recreation Director
Charles Beckham, Chief Operating Officer
Kandia Milton, Mayor's Office

Eastern Market Corporation

FY 2007-08 Budget Analysis by the Fiscal Analysis Division

Summary

On June 20, 2006, the Detroit City Council authorized a Management and Promotion Agreement between the City of Detroit and the Eastern Market Corporation (EMC) wherein the EMC will operate the public market and promote economic development in the one-mile Market District. Eastern Market operations have been officially transferred to the Eastern Market Corporation. The agreement calls for the City of Detroit to retain ownership of the property.

The Eastern Market Corporation is a non-profit "umbrella organization" created to equally include representatives of the City of Detroit, Eastern Market stakeholders and persons with a special interest in the market, including corporate and foundations.

The Eastern Market Corporation's 2006-07 Draft Operating Budget (first attachment) includes revenues of \$1.18 million. The source of the \$1.18 million revenue is, \$758,750 from Market Vendors (shed revenue), \$220,825 from CDBG (29.1%), and \$201,250 from Foundations. The revenues are offset by budgeted expenses of \$1.123 million, thereby leaving \$57,545 as a "Carryforward to (the) future fiscal year." The budgeted expenses include \$459,280 for salary and benefits.

The Eastern Market Corporation does not have a draft budget available for the 2007-08 FY.

The Eastern Market Corporation Work Plan calls for the following:

- Renovation of Sheds 2, 3, and 5 for increased days of operation.
- Establishing the Market as Southeast Michigan's food center.
- Establishing an education center and community outreach at Eastern Market.
- Streetscape and public space improvements
- Support of existing businesses and attraction of new businesses and residential development to the Market district.

Eastern Market Corporation has formulated a series of seven initiatives.

Initiatives:

1. Create a flexible-use market space that will integrate market sheds and the adjacent retail store frontage into a Market Square. This will increase the market's days and hours of use, celebrate its historical character and allow market businesses to capitalize on event audiences.
2. Increase the metropolitan Detroit community's accessibility to high quality farm-fresh produce, attract new seasonal growers, and re-establish the market as a premier center for fresh foods through the creation of improved fresh food vendor stalls in historic Shed 2.

3. Improve winterization and add refrigeration to the market's Shed 3 to create a year-round and predictable destination for a healthy array of fresh and specialty foods.
4. Create a new resource to engage the community with food, farm, and nutrition-relation educational programs, add visitor amenities, and enhance the market as an attractive destination through the construction a new Market Services and Food Education Center.
5. Broaden the market's strength in plants and flowers by adding retail greenhouse space to Shed 5 to foster year-round sales.
6. Encourage economically sustainable agriculture product, foster rural-urban educational partnerships and cultivate entrepreneurial opportunity for fresh food producers.
7. Invest in the infrastructure of the market to increase visibility, security, and access resulting in an improved identity, attractiveness and a people-friendly experience.

Eastern Market impact on the 2007-08 Budget

Pg 39-3 The Mayor recommends a \$162,302 operating subsidy for the Eastern Market from Recreation's budget, appropriation 11667 Eastern Market, in 2007-08.

Pg 35-32 The Mayor recommends a \$65,000 allocation for Eastern Market Garage parking programs out of Non-Departmental appropriation 00335, primarily for special events.

Pg 35-33 The Mayor recommends \$1 million in capital funds for Capital Improvements for the Eastern Market in Non Departmental appropriation 12387 Eastern Market Capital in the 2007-08 FY. The second attachment is a document created by the Eastern Market Corporation showing the projected economic benefits derived from the Eastern Market capital program.

It appears that the EMC requested for \$500,000 in Block Grant funds for the "Eastern Market Advancement Coalition", according to the proposed 2007-2008 Consolidated Plan recently submitted by the Planning and Development Department. However, the Mayor recommends only \$100,000 for this initiative. The program description indicates that this coalition would fund the "Eastern Market Business Retention and Attraction (Façade Improvements) and Capacity Building for Redevelopment Plan implementation. Also, Infrastructure Improvements for development in the Eastern Market area in Cluster 4."

Issues and Questions

The Eastern Market Corporation Work Plan indicates that the renovation of Sheds 2, 3, and 5 will assist in increasing the days of operation for the Eastern Market.

- What types of market business does the EMC anticipate drawing to the Eastern Market to attract retail activity up to five days per week?
- How soon does the EMC anticipate it will increase its days of operations?

The 2006-07 operating budget for the EMC is in draft form. When will the EMC board formally adopt the 2006-07 budget?

Does the EMC feel the projected vendor revenues of \$758,750 will be met in 2006-07?

The adopted 2006-07 budget includes \$250,000 for the Eastern Market Advance Coalition from the Block Grant program in the Planning and Development Department, appropriation 11551. Why is only \$220,825 from Block Grant dollars reflected in the 2006-07 operating budget draft report?

Please provide a breakdown of the foundations and amounts that make up the revenue source of \$201,250 for 2006-07.

The EMC's budget includes \$459,280 for salary and benefits for 2006-07.

- How many full and part-time positions are included in this budget?
- How many of the positions are vacant?
- How many employees were former City employees?

When will the EMC have an operating budget for 2007-08 prepared?

How will the City's operating subsidy of \$162,000 be used in 2007-08?

According to the EMC report attached, under Eastern Market Operations, revenues from vendors will amount to \$835,000 in 2007-08. How will this be achieved?

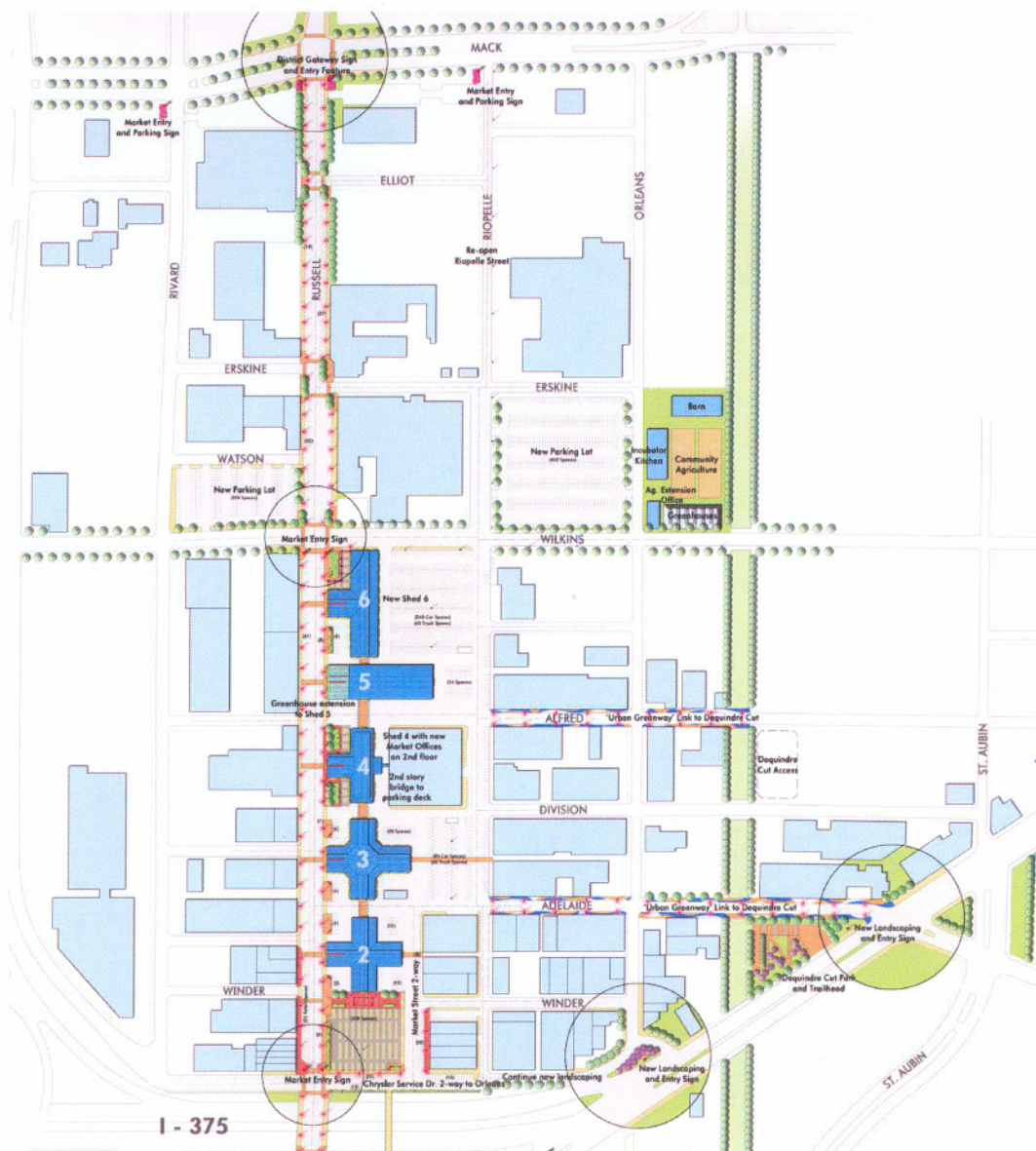
According to a Detroit News article entitled "A fresh look for Eastern Market" (third attachment), about "\$8 million of the \$10.8 million need for the project is already in hand from foundations and other sources". Please provide a breakdown from where the \$8 million is coming from.

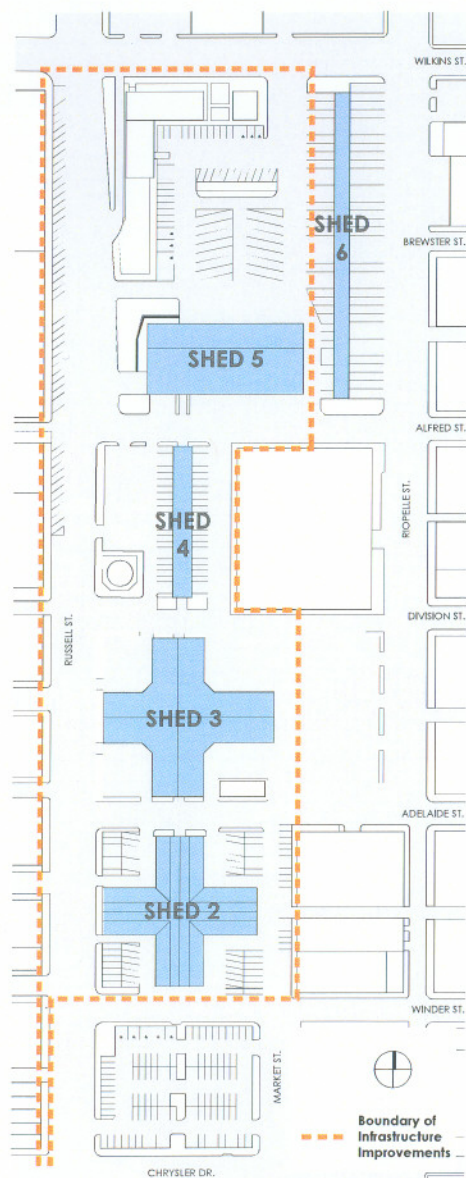
Attachments: Eastern Market Corporation Draft Operating Budget
 Eastern Market Operations Overview
 Eastern Market Capital Program
 Detroit News article

IC:DH

**EASTERN MARKET CORPORATION
DRAFT OPERATING BUDGET
2006-07**

	Foundation Grants	Vendor Revenues	CDBG Block Grant	Total Operating Funds
REVENUES				
Market Vendors	\$ -	\$ 758,750.00	\$ -	\$ 758,750.00
CDBG			220,825.00	220,825.00
Foundations	201,250.00			201,250.00
	<u>\$ 201,250.00</u>	<u>\$ 758,750.00</u>	<u>\$ 220,825.00</u>	<u>\$ 1,180,825.00</u>
EXPENDITURES				
Personnel				
Full-time Salaries	85,000.00	218,000.00	71,000.00	374,000.00
Part-time Salaries	0.00	19,800.00	0.00	19,800.00
Full-time Fringe Benefits	6,250.00	47,000.00	10,250.00	63,500.00
Part-time Fringe Benefits		1,980.00		1,980.00
	<u></u>	<u></u>	<u></u>	<u></u>
Personnel Sub-Total	\$ 91,250.00	\$ 286,780.00	\$ 81,250.00	\$ 459,280.00
Operating Expenses				
Professional Fees				
Contract Services (Security 50k, Grounds 36k, Snow 40k)	\$ -	\$ 126,000.00	\$ -	\$ 126,000.00
Audit		24,000.00		24,000.00
Legal		30,000.00		30,000.00
Other Professional Services		20,000.00		20,000.00
	<u></u>	<u></u>	<u></u>	<u></u>
Professional Fees Sub-Total	\$ -	\$ 200,000.00	\$ -	\$ 200,000.00
Office Expenses				
Office Supplies		15,000.00		15,000.00
Telephone		10,000.00		10,000.00
Office Equipment		12,000.00		12,000.00
Leased Office Equipment		3,000.00		3,000.00
Financial Reporting Services		20,000.00		20,000.00
Organizational Costs			10,000.00	10,000.00
Memberships, Subscriptions, Professional Certifications		5,000.00		5,000.00
Insurance				0.00
Officers			3,000.00	3,000.00
Property				0.00
Liability			10,000.00	10,000.00
	<u></u>	<u></u>	<u></u>	<u></u>
Office Expenses Sub-Total	\$ -	\$ 65,000.00	\$ 23,000.00	\$ 88,000.00
Maintenance				
Maintenance and Repair Costs		60,000.00	30,000.00	90,000.00
Shed equipment		30,000.00		30,000.00
Sheds (Cleaning Supplies, Lights, Maint)		50,000.00		50,000.00
	<u></u>	<u></u>	<u></u>	<u></u>
Maintenance Sub-Total	\$ -	\$ 140,000.00	\$ 30,000.00	\$ 170,000.00
Marketing				
Print & Repro--brochures		15,000.00	10,000.00	25,000.00
Communications		25,000.00		25,000.00
Events	15,000.00	15,000.00	10,000.00	40,000.00
Business Attraction (Vendor/Farmer)	75,000.00			75,000.00
	<u></u>	<u></u>	<u></u>	<u></u>
Marketing Sub-Total	\$ 90,000.00	\$ 55,000.00	\$ 20,000.00	\$ 165,000.00
Travel				
Transportation			6,000.00	6,000.00
Travel and Training	20,000.00	10,000.00	5,000.00	35,000.00
	<u></u>	<u></u>	<u></u>	<u></u>
Travel Sub-Total	\$ 20,000.00	\$ 10,000.00	\$ 11,000.00	\$ 41,000.00
Total Expenses	<u>\$ 201,250.00</u>	<u>\$ 756,780.00</u>	<u>\$ 165,250.00</u>	<u>\$ 1,123,280.00</u>
Carryforward to future fiscal year	<u>\$ -</u>	<u>\$ 1,970.00</u>	<u>\$ 55,575.00</u>	<u>\$ 57,545.00</u>
Excess Revenues over Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>





SHED 2:

Increase the Detroit community's accessibility to high quality farm-fresh produce, attract new seasonal growers and re-establish the Market as a premier center for fresh foods in the area through the creation of improved vendor stalls in historic Shed 2. This Shed will be the location for 48 vendors, including local growers attracted through EMC's outreach program.

Funding Sources:

Foundation	\$ 300,000
Corporate/Private	\$ 400,000
Government	\$ 1,000,000
TOTAL	\$ 1,700,000

Project Start/Completion: Oct. 2006/Sep. 2007

INFRASTRUCTURE:

Public funds principally support the parking areas, sidewalks, lighting and water, sewer and signage required to support the shed renovation.

Funding Sources:

Government	\$ 4,000,000
TOTAL	\$ 4,000,000

Project Start/Completion: June, 2007/Dec., 2008



SHED 3:

Renovate and winterize this historic shed to create a year-round Market Hall which will be open 3-5 days a week and serve the Eastside community a healthy array of fresh and specialty foods. A renewed Shed 3 becomes the "heart of the Market" and a destination for Detroiters. Thirty-six tenants, including four larger "cornerstone" sellers, offering meats, bakery, dairy and prepared foods, will provide shoppers with high quality and diverse products on a year-round basis.

Funding Sources:

Foundation	\$ 2,900,000
Corporate/Private	\$ 1,000,000
TOTAL	\$ 3,900,000

Project Start/Completion: July, 2007/Oct., 2008



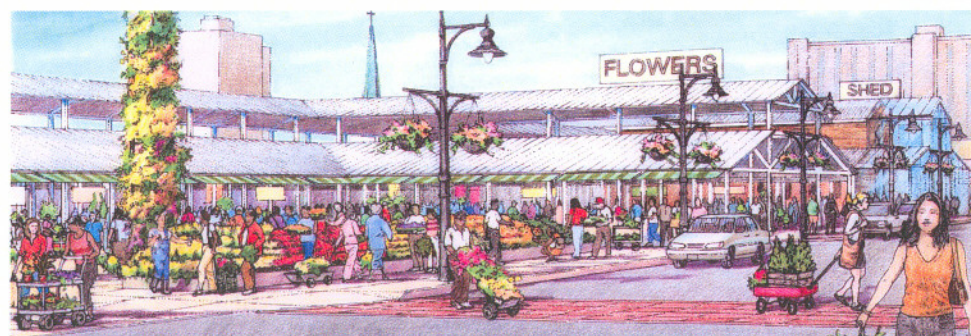
SHED 5:

Broaden the Market's strength in plants and flowers by adding retail greenhouse space to foster year-round sales. Create a major destination within Detroit and the Market for plants and flowers.

Funding Sources:

Foundation:	\$ 700,000
Corporate/Private	\$ 500,000
TOTAL	\$ 1,200,000

Project Start/Completion: July, 2007/June, 2008



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Monday, April 09, 2007



John M. Galloway / Special to The Detroit News

Shed 2, on Russell between Winder and Adelaide, is expected to reopen on Labor Day, looking the way it did when it opened in 1894.

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A fresh look for Eastern Market

Remodeling, other customer-friendly changes coming

David Josar / The Detroit News

DETROIT -- Eastern Market will close one of its sheds for remodeling in June as the most extensive transformation of the market since 1891 gets underway.

That facility, shed 2, on Russell between Winder and Adelaide, is expected to reopen on Labor Day, looking the way it did when it first opened in 1894.

Other construction that will eventually transform the place that has attracted generations of Metro Detroiters shopping for fresh food and flowers will come later.

By the time it's all done, the market will be open three days a week instead of just Saturdays and will provide a heated shed for year-round comfort.

"We're going to create a new environment that's going to become a destination," said Kate Beebe, president of the Eastern Market Corp.

The market will remain open during the renovation this summer, using a tent instead of shed 2, to accommodate the estimated 45,000 shoppers who visit the market on a typical Saturday.

Other changes to come:

A new "flowerland" in shed 5, on Alfred Street. The building will feature a new glass front. It will contain fresh-cut blooms and plants, and put a renewed emphasis on locally grown produce.

A heated and ready-for-cold-weather shed 3, on Russell between Adelaide and Division.

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Among the changes planned for Eastern Market is a heated shed 3 for year-round comfort. [See full image](#)

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A program that lets people receiving public assistance and food stamps use their benefits, distributed via a debit card, at Eastern Market. The debit cards would be swiped at a station that kicks out tokens redeemable for agricultural products.

Increased inspections of vendor stands and produce to ensure the fruits and vegetables are fresh.

A membership drive is to start next month for the Friends of Eastern Market. Membership fees would generate funds for renovations and market maintenance. Members would get discounts at Eastern Market merchants.

The changes are welcomed by longtime shopper Agnes Klotz, 72, of Detroit.

Klotz said during the past decade she has seen more of the stands selling prepackaged produce and veering away from the cut-at-the-vine Michigan tomatoes and cucumbers she wants to eat.

"The prices were good, but it wasn't as fresh and as local as I would like," said Klotz.

One other thing that made her cringe: "Quality was becoming an issue. It looked like some of the sellers were trying to make a buck peddling fruits that were beyond its time," she said.

Market officials are trying to address the concern about produce being local and fresh in the remodeling of shed 2.

When it reopens, the shed will emphasize locally grown produce.

"We want this to be a place where people want to come," said Beebe, who previously ran the Downtown Detroit Partnership.

About \$8 million of the \$10.8 million need for the project is already in hand from foundations and other sources, market officials said.

Although Eastern Market is a year-round market, the individual stands are open only on

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Among the changes planned for Eastern Market is a heated shed 3 for year-round comfort. [See full image](#)



Shed 5 on Alfred Street is envisioned as a "flowerland" and will feature a new glass front. [See full image](#)

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Saturdays, and the quality and quantity of produce drastically decline during the colder months.

Planned renovations could lead to the market being open all week as well as a guarantee that there will be ample produce even during the part of the year when not as many locally grown fruits and vegetables are available.

Beebe said the market will focus on local Michigan products, ranging from maple syrup to apples, although oranges, mangos and other produce not grown in this climate will still come from dealers.

Recent changes in that direction include the Cass Corridor's Avalon Bakery selling its breads starting this weekend. Other additions include a Mennonite woman with home-baked pies, Traffic Jam and Snug's oversized cookies and one man who sells \$5 quarts of sauerkraut he makes in a 55-gallon barrel on his farm.

"We're finding there are lots of people who are interested in selling at Eastern Market but, for whatever reason, weren't doing it," said Randall Fogelman, marketing director for the corporation who previously was the director of TasteFest. "We're working on getting them to come here."

Most of the changes were spurred last summer when the city of Detroit, looking at ways to cut its budget, handed over the keys to Eastern Market, which encompasses a 43-acre site with office space, vendor sheds, parking lots and public restrooms, to the nonprofit Eastern Market Corp.

You can reach David Josar at (313) 222-2073 or djosar@detnews.com.

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